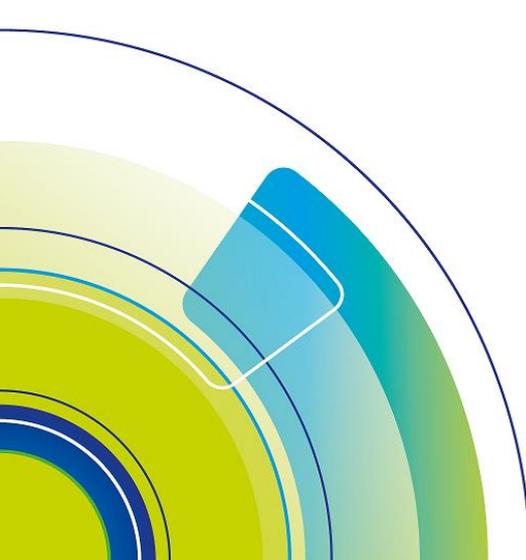




KDH Flash note - OUTPERFORM

November 11, 2024



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Earnings Flash note

Recommendation **OUTPERFORM**

HOSE: KDH

Property

Current price (VND) **33,350**

Target price (VND) **38,000**

Expected share price return 14.1%

Expected dividend yield 0.0%

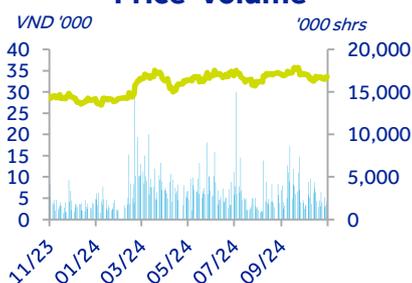
Expected total return **14.1%**

Stock performance (%)

	YTD	1M	3M	12M
Absolute	17.5	-2.1	3.5	26.1
Relative	4.9	-1.3	-0.7	7.2

Source: Bloomberg

Price-Volume



Ownership

Tien Loc Investment JSC	13.03%
Dragon Capital and affiliates	9.16%
Gamma	8.76%
A Au	8.72%

Stock Statistics

8-Nov-24

Bloomberg code	KDH VN
52-week range (VND)	26,500 - 36,364
Shares O/S (m)	1,011
Mkt cap (VND bn)	33,924
Mkt cap (USD m)	1,332
Foreign room left (%)	13.3
Est. free float (%)	62.2
3m avg daily vol (shrs)	2,911,092
VND/USD	25,470
Index: VNIIndex / HNX	1252.56/226.88

KHANG DIEN HOUSE TRADING AND INVESTMENT JSC (KDH VN)

A decline in 3Q2024 and 9M2024 results was mainly due to a lower number of low-rise units delivered at Classia project. Keep our 2024 forecast unchanged as we expect the company will deliver and recognize Privia project in 4Q2024. Reiterate our Outperform rating with YE2025 target price of VND38,000/share, down by 10% compared to the previous target price given issuances of 10% stock dividend and 10.8 mn ESOP shares.

KDH recorded low 3Q2024 result with revenue of VND253 bn (-59% YoY) and NPAT of VND66 bn (-68% YoY) mainly due to a lower estimated number of low-rise units delivered at the Classia project (6 units in 3Q2024 vs 18 units in 3Q2023).

The 9M2024 result also declined with revenue of VND1,232 bn (-24% YoY) and NPAT of VND410 bn (-38% YoY), completing 32% and 52% of targets, respectively. The decline was also mainly due to a lower estimated number of low-rise units delivered at the Classia project (16 units in 9M2024 vs 32 units in 9M2023). Gross margin declined from 78.9% to 67.6% because of location of Classia units delivered and gross margin of small land lots delivered.

2024 business result is mainly generated from Classia and Privia and both projects are on track with the company's targets. At the end of 3Q2024, the Classia project was sold out and delivered 99% accumulatively. Privia project with estimated total revenue of over VND3.5 trn started to be delivered from the middle of October 2024. KDH nearly completes the construction of the low-rise components of Clarita and Emeria projects and expects to launch them at the end of 2024 or 2025 after getting a sales permit.

To accelerate land use fee payment and land clearance processes before the new land price table of HCMC applied from Oct 31st 2024, KDH raised VND3 trn from a private placement of 110mn share at the average price of VND27,250/share in July, 2024. The company also increased net debt by nearly VND1.9 trn to VND4,493 bn in 9M2024, leading to an increase in Net debt/Equity ratio from 16.8% to 23.8%.

We keep our 2024 forecast unchanged with revenue of VND4,573 bn (+119% YoY) and NPAT of VND925 bn (+27% YoY) as we expect the company will deliver and recognize Privia project with estimated revenue of over VND3.5 trn in 4Q2024. For 2025, we estimate revenue at VND4,872 bn (+7% YoY) and NPAT at VND1,492 bn (+61% YoY) mainly thanks to the contribution of Clarita and Emeria projects. However, 2025 NPATMI may go sideways and reach VND924 bn because of significant minority interest realized when KDH distributes 49% profit of Clarita and Emeria projects to Keppel. **Using NAV method, we achieve a target price of VND38,000/share at YE2025, down by 10% compared to the previous target price given issuances of 10% stock dividend and 10.8 mn ESOP shares. Reiterate Outperform recommendation.**

	2021	2022	2023	2024F	2025F
Net Sales (VNDbn)	3,738	2,912	2,088	4,573	4,872
Growth	-17.5%	-22.1%	-28.3%	119.0%	6.5%
EBITDA (VNDbn)	1,418	810	1,215	1,476	2,187
Growth	-9.0%	-42.9%	50.0%	21.4%	48.2%
NPATMI (VNDbn)	1,202	1,103	716	921	924
Growth	4.3%	-8.3%	-35.1%	28.7%	0.3%
EPS (bonus-adjusted, VND)	1,403	1,217	781	932	868
Growth	3.0%	-13.2%	-35.8%	19.3%	-6.9%
ROE	13.1%	10.1%	5.7%	6.0%	5.3%
ROIC	8.5%	6.0%	2.9%	3.1%	4.6%
Net debt/EBITDA (x)	0.8	4.9	2.1	2.2	1.1
EV/EBITDA (x)	24.6	46.5	29.9	25.1	16.5
PER (x)	23.8	27.4	42.7	35.8	38.4
PBR (x)	2.1	2.1	2.0	2.0	1.9
DPS (VND)	-	-	-	-	-
Dividend Yield	0.0%	0.0%	0.0%	0.0%	0.0%

Table 1: 3Q2024 and 9M2024 results

Unit: VNDbn	3Q2023	3Q2024	YoY growth	9M2023	9M2024	YoY growth	2024 Target	% Completion
Revenue	616	253	-59%	1,626	1,232	-24%	3,900	32%
Gross profit	433	158	-64%	1,281	832	-35%		
Financial income	13	7	-43%	33	30	-11%		
Financial expenses	68	13	-81%	87	45	-48%		
SG&A expenses	120	67	-44%	257	201	-22%		
NPAT	210	66	-68%	667	410	-38%	790	52%

Sources: KDH, ACBS

Table 2: Projects update

Project	KDH's stake	Location	Total area (ha)	Total units	Estimated investment capital (VND bn)	Progress
Classia	100%	Thu Duc City	4.3	176 low-rise units	1,204	Launched in 3Q2022. At the end of 3Q2024, KDH accumulatively sold 100% and delivered 99%.
Privia	100%	Binh Tan	1.8	1,043 high-rise units	1,911	Launched in November 2023 and sold out within 3 months. Deliver from October 2024.
Emeria	51%	Thu Duc City	6.0	616 high-rise and 67 low-rise units	1,748	Transfer 49% to Keppel. Had construction permits and land use right certificates. Start construction from October 2023. Completed construction for most of the low-rise component. Expected to launch the low-rise component at the end of 2024 or 2025.
Clarita	51%	Thu Duc City	5.8	159 low-rise units	1,419	Completed construction for most of the low-rise component. Expected to launch the low-rise component at the end of 2024 or 2025.
Tan Tao urban area	100%	Binh Tan	330.0	n/a	n/a	Completed land compensation of over 85%. Expect to start construction from 2026.
Solina (11A)	100%	Binh Chanh	16.4	n/a	4,393	Completed land use fee payment for Phase 1 of 13ha. Applying for construction permit of Phase 1. Expect to start construction from 2025.
Phong Phu 2	100%	Binh Chanh	132.9	n/a	13,185	In the final stage of land compensation.
Le Minh Xuan expansion IP	100%	Binh Chanh	109.9	n/a	1,305	Had investment in principle and 1/500 Plan. The project is divided into 3 phases. KDH is working on land use fee and waiting for the construction permit for the first phase of 89ha. Expect to start construction from 2025.
Binh Trung Dong expansion	100%	Thu Duc City	18.4	n/a	n/a	This project is located near Emeria and Clarita projects. Nearly completed land compensation process. KDH is obtaining approval in principle.

Sources: KDH, ACBS

KDH FINANCIALS MODEL (VNDbn except where stated)	Market price (VND):	33,350	Target (VND):	38,000	Mkt cap (VNDbn):	33,924
		2021	2022	2023	2024F	2025F
Net Sales		3,738	2,912	2,088	4,573	4,872
<i>Sales growth</i>		-17.5%	-22.1%	-28.3%	119.0%	6.5%
CoGS ex-dep'n		1,934	1,707	506	2,294	1,829
<i>Gross margin</i>		48.0%	50.1%	76.0%	49.9%	62.6%
SG&A		387	394	367	804	856
<i>SG&A as % of sales</i>		10.3%	13.5%	17.6%	17.6%	17.6%
EBITDA		1,418	810	1,215	1,476	2,187
<i>EBITDA margin</i>		37.9%	27.8%	58.2%	32.3%	44.9%
Depreciation		10	-255	-5	-5	-5
Operating profit		1,407	1,065	1,220	1,480	2,192
<i>Operating profit margin</i>		37.6%	36.6%	58.4%	32.4%	45.0%
Profit/loss from associates and JVs		0	0	0	0	0
Financial income (excl. saving interest)		-	1	2	-	-
Financial expenses (excl. interest expense)		57	82	148	157	158
Net interest expense		-5	-7	-48	-52	-66
<i>as % of avg, net debt</i>		47.5%	22.9%	22.4%	26.3%	30.0%
Other profit/loss		185	419	-53	-105	-53
<i>Tax</i>		335	328	340	345	556
<i>Effective tax rate (%)</i>		21.8%	23.3%	31.8%	27.1%	27.1%
Minority interest		2	(21)	14	4	568
PATMI		1,202	1,103	716	921	924
<i>Net profit margin (%)</i>		32.2%	37.9%	34.3%	20.1%	19.0%
Cash earnings		1,215	827	725	921	1,487
Number of shares (m)		643	717	799	1,011	1,011
EPS (VND)		1,867	1,472	860	932	868
Bonus factor (x)		0.8	0.8	0.9	1.0	1.0
Adjusted EPS (VND)		1,403	1,217	781	932	868
<i>EPS growth (%)</i>		3.0%	-13.2%	-35.8%	19.3%	-6.9%

KEY CASHFLOW AND BS ITEMS	2021	2022	2023	2024F	2025F
Increase in working capital	3,054	4,854	1,363	4,649	81
Capex	57	61	216	92	61
Other cash flow items	-151	1,000	2,086	-	-
Free cash flow	-2,047	-3,088	1,233	-3,824	777
Share issues (m)	939	231	135	3,183	0
Dividends paid	0	0	0	0	0
Increase in net debt	1,108	2,858	-1,368	641	-777
Net debt, end of year	1,118	3,975	2,608	3,248	2,472
Shareholders' equity	10,221	11,795	15,523	19,627	20,551
Minority interest	36	237	2,072	2,620	2,743
BVPS (VND)	15,842	16,123	16,828	16,820	17,612
<i>Net debt / equity (%)</i>	<i>10.9%</i>	<i>33.7%</i>	<i>16.8%</i>	<i>16.6%</i>	<i>12.0%</i>
<i>Net debt / EBITDA (x)</i>	<i>0.8</i>	<i>4.9</i>	<i>2.1</i>	<i>2.2</i>	<i>1.1</i>
Total assets	14,373	21,539	26,481	31,230	31,945

KEY RETURN AND VALUATION RATIOS	2021	2022	2023	2024F	2025F
<i>ROE</i>	<i>13.1%</i>	<i>10.1%</i>	<i>5.7%</i>	<i>6.0%</i>	<i>5.3%</i>
<i>ROA</i>	<i>8.5%</i>	<i>6.1%</i>	<i>3.0%</i>	<i>3.2%</i>	<i>2.9%</i>
<i>ROIC</i>	<i>8.5%</i>	<i>6.0%</i>	<i>2.9%</i>	<i>3.1%</i>	<i>4.6%</i>
<i>WACC</i>	<i>12.0%</i>	<i>11.6%</i>	<i>11.6%</i>	<i>11.4%</i>	<i>11.5%</i>
<i>EVA</i>	<i>-3.5%</i>	<i>-5.6%</i>	<i>-8.7%</i>	<i>-8.4%</i>	<i>-6.9%</i>
<i>PER (x)</i>	<i>23.8</i>	<i>27.4</i>	<i>42.7</i>	<i>35.8</i>	<i>38.4</i>
<i>EV/EBITDA (x)</i>	<i>24.6</i>	<i>46.5</i>	<i>29.9</i>	<i>25.1</i>	<i>16.5</i>
<i>EV/FCF (x)</i>	<i>-17.0</i>	<i>-12.2</i>	<i>29.5</i>	<i>-9.7</i>	<i>46.6</i>
<i>PBR (x)</i>	<i>2.1</i>	<i>2.1</i>	<i>2.0</i>	<i>2.0</i>	<i>1.9</i>
<i>PSR (x)</i>	<i>9.0</i>	<i>11.6</i>	<i>16.2</i>	<i>7.4</i>	<i>6.9</i>
<i>EV/sales (x)</i>	<i>9.3</i>	<i>12.9</i>	<i>17.4</i>	<i>8.1</i>	<i>7.4</i>
<i>Dividend yield</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>

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BUY: Expected prospective total return (including dividends) in VND will be 20% or more within 12 months

OUTPERFORM: Expected prospective total return (including dividends) in VND will be from 10% to 20% within 12 months

NEUTRAL: Expected prospective total return (including dividends) in VND will be from -10% to 10% within 12 months

UNDERPERFORM: Expected prospective total return (including dividends) in VND will be from -20% to -10% within 12 months

SELL: Expected prospective total return (including dividends) in VND will be less than -20% within 12 months

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